

March 2009

INFORMATION

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*All SBA programs and
services are provided on
a nondiscriminatory basis.*

Don't Forget the Lending Tools SBA Already Offers

Dear Lender:

The announcement on March 16th on the implementation of the fee eliminations on the 7(a) and 504 loan programs along with the increase in the guarantee to 90% for some of the 7(a) loans has generated a flurry of interest and inquiries from lenders and small businesses.

These enhancements to our two primary lending tools provide an opportunity for us to assist our small business customers through these challenging economic times. For lenders for whom the ability to access the secondary market has become more challenging (through the sale of either the guaranteed portion of either 7(a) loans or the first mortgage portion of their 504 loans) the announcement that the Treasury Department will purchase these instruments is welcome.

As mentioned in our previous newsletter the microloan portion of the American Recovery and Reinvestment Act is already available to small businesses (www.iowamicroloan.org).

Changes implemented this past week include an increase in the limit for surety bond guarantees from \$2 million to \$5 million and with some exceptions, to \$10 million.

We anxiously await the implementation of the remaining SBA portions of the American Recovery and Reinvestment Act, in particular the business stabilization loan program.

At times we become so focused on new tools that we lose sight of existing tools we have to assist customers, particularly those with unique needs. I want to spend a moment on one aspect of the 7(a) program that I believe has the potential for helping us meet the capital needs of our small businesses in today's environment.

We have had several inquiries in the past few weeks that are ideally suited to the CAPLine authorities under the 7(a) program. This specialized loan program is designed to help small businesses meet their short-term and cyclical working capital needs. The CAPLines are ideally suited for and can be used to finance seasonal working capital needs; finance the direct costs of performing certain construction,

service and supply contracts; finance the direct cost associated with commercial and residential construction performed on a speculative basis (without a firm commitment for purchase); finance operating capital by obtaining advances against existing inventory and accounts receivable; and consolidate short-term debt.

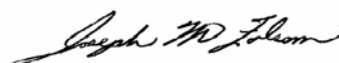
There are five distinct programs under the CAPLine umbrella: contract loan, seasonal line of credit, builders' line, small asset based line (up to \$200,000) and standard asset based line (over \$200,000).

CAPLines and surety bond guarantees will be two major agenda items for a workshop being planned in the Cedar Rapids area in the next few weeks for contractors. There remains significant amount of flood recovery work, particularly with housing. Bonding and access to working capital are seen as critical issues and how and whether we use these tools will either enable or hinder small contractors from actively participating and being a part of this recovery effort.

How else might one use a CAPLine? Consider a firm with few fixed assets such as an information technology company with a federal contract, a manufacturer with a need for working capital as a result of new orders, or an agricultural supply company with increased working capital needs due to significant increases in its cost of goods.

Faced with a challenging capital need situation for a small business customer? Give us call. We are here to assist you in your service to small businesses. Be it situations with existing credit lines or new capital needs. We can be that sounding board for ideas and solutions and together assist the small businesses of our communities in surviving and succeeding through these challenging times.

Sincerely



Joseph M. Folsom
District Director

Recovery Act More Than Doubles SBA Surety Bond Guarantee Ceiling

Effective March 27th, small businesses that need surety bonds to compete for construction and service contracts can qualify for U.S. Small Business Administration-backed surety bonds of up to \$5 million. The higher amount, a result of the Recovery Act, is more than double the previous \$2 million maximum surety bond guaranteed by SBA.

Through SBA's Surety Bond Guarantee program, SBA guarantees bid, payment and performance bonds. Surety bonds protect the project owner against financial loss if contractors default or fail to perform.

SBA partners with the surety industry to help small businesses that would otherwise be unable to obtain bonding in the traditional commercial marketplace. Under the partnership, SBA provides a

guarantee to a participating surety company of between 70 and 90 percent of the bond amount.

"During these difficult economic times," said Acting SBA Administrator Darryl K. Hairston, "these changes are particularly helpful to small and emerging contractors who need access to surety bonds so they can bid on public construction and service projects. These changes will support small and emerging businesses nationwide, particularly construction contractors who have seen their markets hurt by a poor economy and lagging construction environment."

Additional program enhancements contained in the stimulus bill will be announced soon in the *Federal Register*. Among these changes is a provision that will allow SBA to

guarantee a bond on a federal contract up to \$10 million following certification by the contracting officer that the bond guarantee is required.

In recent years SBA has taken a number of steps to reinvigorate its Surety Bond Guarantee Program and make it easier for small businesses to obtain bonds. In 2007, SBA established a more flexible pricing structure, allowing Preferred Surety Bond Sureties to charge current state rates rather than being locked into rates that were established several years ago.

Industry associations have commended SBA for these new changes and SBA continues to encourage surety bond providers and agents to actively participate in the program.

Guarantee Fee Elimination

Lenders should not pay the fee on loans that were approved on or after 2-17-09 that they are now closing. In addition, please remember that any guarantee fees paid since 2-17-09 will need to be reimbursed. SBA is currently working on a reimbursement plan and we will provide more information as soon as it becomes available.

SBA Lender Activity Report for February

LENDER NAME	LOCATION	#	AMOUNT	LENDER NAME	LOCATION	#	AMOUNT
HERITAGE BANK	HOLSTEIN	4	\$340,000	SIOUXLAND ECON DEV CORP	SIOUX CITY	1	\$347,000
WELLS FARGO BANK	IOWA	3	\$1,488,400	BANK IOWA	RED OAK	1	\$230,000
FIRST CENTRAL STATE BANK	DE WITT	3	\$391,000	CHEROKEE STATE BANK	CHEROKEE	1	\$150,000
AMERICAN TRUST & SVGS BANK	DUBUQUE	2	\$350,000	FARMERS STATE BANK	MARION	1	\$150,000
WEST BANK	WDM	2	\$240,000	VANTUS BANK	SIOUX CITY	1	\$87,800
NORTHWEST BANK	SPENCER	2	\$155,000	STATE SAVINGS BANK	CRESTON	1	\$84,000
LIBERTY BANK	WDM	2	\$150,000	COMMUNITY STATE BANK	SPENCER	1	\$68,000
BREMER BANK	MINNESOTA	1	\$2,000,000	US BANK	IOWA	1	\$60,000
BANK IOWA	ALTOONA	1	\$1,620,000	UNITED BANK OF IOWA	IDA GROVE	1	\$50,000
FARMERS & MERCH SVGS BANK	MANCHESTER	1	\$960,000	FIRST NATL BANK OF OMAHA	NEBRASKA	1	\$48,000
SMALL BUSINESS GROWTH CORP	ILLINOIS	1	\$538,000	FARMERS BNK OF NORTHRN MO	MISSOURI	1	\$35,000
FIRST IOWA STATE BANK	ALBIA	1	\$400,000	NORTHWEST BANK & TRUST CO	DAVENPORT	1	\$25,000
FARMERS STATE BANK	WATERLOO	1	\$355,100	QUAD CITY BANK AND TRUST CO	BETTENDORF	1	\$25,000
FIRST STATE BANK SOUTHWEST	MINNESOTA	1	\$350,000	IOWA STATE BANK	WAPELLO	1	\$15,000

The following lenders were participant lenders in the SBA's 504 Loan Program in Iowa during the month of February

LENDER NAME	LOCATION	#	AMOUNT	LENDER NAME	LOCATION	#	AMOUNT
NORTHWEST BANK & TRUST CO.	DAVENPORT	1	\$655,000	WASHINGTON CO. BANK	NEBRASKA	1	\$481,250